



An Audit of the University of Texas at Austin

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Executive Summary

Purpose and Scope

The objectives of the University of Texas at Austin (University) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2017, through Feb. 29, 2018.

Background

The University is the flagship school of the University of Texas System, which includes nine academic universities and six health institutions statewide. The University is ranked among the biggest and best research universities in the country, and is home to more than 51,000 students and 3,000 teaching faculty. The University provides a place to explore opportunities for tomorrow's artists, scientists, athletes, doctors, entrepreneurs and engineers.

University of Texas at Austin
website


<https://www.utexas.edu/>

Audit Results

The University generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with grants, refund of revenue, system security or fixed assets. However, the University should consider making improvements to its payroll, travel, purchase, contract, payment card, segregation of duties and direct deposit processes.

There was one repeat finding, payment not scheduled, from the previous audit issued Jan. 8, 2014. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing/incomplete documentation. • Incorrect salary payment. • Prior state service not verified, resulting in incorrect longevity payments. 	Compliant, Findings Issued
<u>Travel Transactions</u>	Did travel transactions comply with all pertinent statutes and Comptroller requirements?	A non-employee was reimbursed for travel expenses.	Compliant, Findings Issued
<u>Contract and Payment Transactions</u>	Did contracts and payment transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Debarred vendor status not verified. • Vendor warrant hold status not verified. • Nondisclosure and conflict of interest statements missing. • Missing vendor historically underutilized business (HUB) review. 	Compliant, Findings Issued
<u>Purchase Transactions</u>	Did purchase and contracted services transactions comply with all pertinent statutes and Comptroller requirements?	There were 33 transactions resulting in duplicate payments.	Compliant, Findings Issued
Grant Transactions	Did grant payments comply with state laws and regulations pertaining to grants/loans and pertinent statutes?	No issues	Fully Compliant
<u>Prompt Payment and Payment Scheduling</u>	Did the University comply with prompt payment and scheduling rules?	 Several transactions were paid early with interest loss to the state.	Compliant, Findings Issued



Repeat Finding



Area	Audit Question	Results	Rating
<u>Payment Card Transactions</u>	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Missing warrant hold verification documentation.• Missing receiving documentation.• Missing verification of training attendance.	Compliant, Findings Issued
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Security	Were University employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner to help prevent fraud?	Four employees had multiple incompatible duties.	Compliant, Findings Issued
Fixed Assets	Were assets in their intended location and properly recorded?	No issues	Fully Compliant
<u>Targeted Analysis</u>	Did the University comply with the federal mandate to handle payments involving the international movement of funds?	Seven out of 10 direct deposit authorizations were incomplete.	Noncompliant



Repeat Finding

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The University must enhance its internal controls to maintain the documentation required to support all employee payroll payments.



- The University must review its controls and personnel records to ensure accuracy and completeness, and ensure its internal operating procedures include quality-control measures to detect and prevent incorrect compensation.
- The University must research and verify prior state service for its employees and ensure all prior service verifications are documented, accurate and maintained in the personnel files.
- The University must review all travel expense claims for legality and accuracy before payment.
- The University must verify debarred vendor status before awarding a contract to a vendor.
- The University must verify vendor warrant hold status before executing a contract with a vendor.
- The University must ensure its procurement and contract management personnel complete and sign conflict of interest disclosure statements before initiating purchases.
- The University must follow the procurement procedures in the [State of Texas Procurement and Contract Management Guide](#) – HUB Subcontracting Plan (HSP) Requirements.
- The University must enhance its procedures to identify potential duplicate invoices to avoid duplicate payments.
- The University must schedule all payments over \$5,000 for the latest possible distribution and in accordance with its purchasing agreements.
- The University must follow its procedures to check vendor warrant hold status before initiating purchases over \$500.
- The University must ensure it has adequate supporting documentation for all expenditures before processing a payment.
- The University must have controls over expenditure processing that segregate each accounting task to the greatest extent possible.
- The University must ensure all payees requesting direct deposit payments submit completed direct deposit authorization information.



Detailed Findings

Payroll Transactions

Auditors developed a sample from a group of 40 employees and 278 payroll transactions totaling \$7,049,736.05 to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 23 voluntary contribution transactions was audited. Audit tests revealed the following exceptions in the payroll transactions.

Missing/Incomplete Documentation

Auditors identified 19 instances totaling \$22,802 where the University was unable to provide:

- Performance documentation supporting seven one-time merit payments.
- Completed and approved cell phone allowance forms for 12 cell phone allowance payments.

Without the missing documentation, the auditor could not verify the validity of the payments. According to the University, it operates in a decentralized model. Hiring, collection of forms, performance documentation and personnel folders are kept with the owning unit, not with central human resources. Also, when the cell phone allowance payments were authorized, departments were required to complete the Communication Device Allowance Request forms and maintain copies at the department level.

A state agency may make a one-time merit payment to a classified employee if all the following conditions exist:

- The employee has been employed by the agency in the same position for at least six continuous months before the payment.
- The payment is at least six months after the employee's last promotion or merit salary increase in that position.
- The agency has established a procedure for determining the eligibility of a classified employee to receive a one-time merit payment and requirements for substantiating that eligibility.
- The employee's job performance and productivity in that position are consistently above that normally expected or required.
- The date of the payment is at least six months after the agency's last payment to the employee of an enhanced compensation award authorized by the GAA or a one-time merit payment for performance in that position.

See [Texas Government Code, Section 659.255](#).



Agencies must maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation during a post-payment audit, a pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource – General Provisions Q-2 – Required Documentation](#).

Recommendation/Requirement

The University should enhance its internal controls to maintain the documentation required to support all employee payroll payments. Documentation must be available for auditors.

University Response

As of November 1, 2018, HR implemented a new HR system that allows for an attachment to upload with each compensation change. Departments now upload the supporting documentation when routing the transaction through the HR system for review and approval. The documentation lives in the HR system. Additionally, all performance appraisals will be uploaded into Workday and will be available for future audits.

The university has already resolved this finding. At the time this payment was made, departments were required to complete and maintain paper authorization forms prior to entering the Communication Device Allowance information in the CDA system. We implemented a new HR and payroll system, Workday, in November 2018. Now, departments authorize these allowances directly in Workday where they are routed for appropriate approvals electronically. The routing is built into the system and cannot be skipped.

Incorrect Salary Payment

Auditors identified one employee who received an incorrect salary payment. The payment should have been \$2,215.68 based on the hourly rate and hours worked, but was \$2,000, an underpayment of \$215.68.

According to the University, the employee's appointment started mid-month and the previous legacy system paid exactly half of the employee's monthly salary.

Recommendation/Requirement

The University must review its controls and personnel records to ensure accuracy and completeness, and ensure its internal operating procedures include quality-control measures to detect and prevent incorrect compensation. See [34 Texas Administrative Code Section 5.40\(c\)](#).



University Response

The university has already resolved this finding. The incorrect salary payment identified was a result of our legacy payroll processing system, which paid exactly one half of monthly salary to this worker since her employment start date was on the 16th of the month. We implemented a new HR and payroll system, Workday, in November 2018. Workday prorates salary based on actual days worked, so this type of discrepancy will not happen in the future.

Missing Prior State Service Verification/Incorrect Longevity Payment

Auditors identified six employees missing prior state service verifications and one employee with an incorrect state effective service date. The University was unable to provide prior service verifications for three of the six employees, so the auditor was unable to verify the validity of four longevity payments totaling \$1,200.

The University did not have documentation that it conducted prior state service verifications at the time of hire for the other three employees.

The University obtained the verification as a result of the audit and provided documentation validating the longevity pay amounts and corrections made to its internal system to reflect accurate months of service credit. The University did document prior state service for a seventh employee, but the employee's state effective service date was incorrect. The prior service verifications obtained as a result of the audit and the incorrect service date resulted in three employees being underpaid a total of \$1,960 in longevity pay and one employee being overpaid \$160. The University initiated payments to compensate the three underpaid employees. Per the University, it would not collect on the overpayment from the employee, because the administrative cost, both in time and collections, would exceed the amount of overpayment.

The University's procedures include verifying prior state service when an employee notes previous state employment. However, the procedures were not followed. The University added that the longevity overpayment resulted from a miscalculation.

When an agency hires an employee, the agency must research and document whether the employee has prior state service. See [Texas Payroll/Personnel Resource – General Provisions – Q-Z – Required Documentation](#). If prior state employment exists, the agency must confirm and properly record the amount of lifetime service credit.

If the agency fails to verify prior state service, the lifetime service credit for longevity will be based on the new employment date and the employee might be paid incorrectly. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Lifetime service credit includes all periods of employment at Texas agencies and institutions of higher education used to determine eligibility for longevity pay.

Longevity pay is an entitlement based on total state service and is paid each month in addition to base salary.



Recommendation/Requirement

The University should continue to research and verify prior state service for employees. In addition, the University must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.

University Response

The University processes a high volume of employees and applicants. We have made some interim changes to our onboarding process to improve compliance and expect the final resolution through making configuration changes to our HR system to be complete by August 2020. In addition to the current process of collecting the forms at New Employee Orientation, we have begun working with the HR system to add the State Service Request form as part of the automatic onboarding tasks for all new employees. The information will be retained in Workday with the employee record. We will research and verify the prior state service and calculate longevity and leave balances accordingly. In the interim, as part of the mandatory onboarding workflow, employees are asked if they have worked at a state agency or are currently working at a state agency. We will run reports in a regular cadence to audit against those who have completed state service request forms. For those who have not completed the form, we will reach out to gather the additional information from them, in order to research, verify and calculate state service correctly.

Travel Transactions

Auditors developed a sample of 20 travel transactions totaling \$6,789.88 to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Auditors ran a report outside of the travel sample to identify any travel reimbursements that were paid to non-employees. Audit tests revealed the following.

Non-Employee Travel Reimbursement Not Payable

In a report generated outside the travel sample, auditors identified one travel transaction for \$378.10 that was paid to an individual who was not an employee at the time of travel. According to information provided by the University, the individual did not have an appointment for the effective date of the travel.

Institutions of higher education cannot use state-appropriated funds to pay non-employee travel expenses unless specific provisions exist in state law that allow them to do so.



Texas Government Code, Chapter 660 (Travel Regulations Act) and the GAA both detail the use of appropriated money for state travel. Chapter 660 limits the use of state money for travel to that which “clearly involves official state business.” See [Texas Government Code, Section 660.003](#). Generally, and with limited exceptions, state appropriations for travel expenses are for state employees. Payments from appropriated funds are subject to the provisions of Texas Government Code, Chapter 660.

Recommendation/Requirement

The University must review all travel expense claims for legality and accuracy before payment. The University must reimburse the state’s treasury for the unallowable amount.

University Response

The University will continue to educate the departments on how to properly assign traveler type on travel authorization documents through our ongoing training sessions and departments will ensure each traveling employee has an active appointment for travel dates. The University will reimburse the state’s treasury for the unallowable amount.

Contract and Payment Transactions

Auditors developed a sample of 19 contract transactions from four contracts to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed the following exceptions.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$902,209	Construction Contracting Services	No exceptions	No exceptions	No exceptions	Debarred vendor status not verified	Interest loss to state's treasury
Contract B	\$1,761,677	Professional Services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none">Debarred vendor status not verified.Vendor hold status not verified.	No exceptions
Contract C	\$2,804,587	Construction Contracting Services	No exceptions	No exceptions	<ul style="list-style-type: none">Missing nondisclosure & conflict of interest statement.Missing vendor historically underutilized business (HUB) review.	<ul style="list-style-type: none">Debarred vendor status not verified.Vendor hold status not verified.	Interest loss to state's treasury
Contract D	\$17,255,163	Computer Software	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none">Debarred vendor status not verified.Vendor hold status not verified.	No exceptions

Debarred Vendor Status Not Verified

The University failed to verify whether the vendor had been debarred by the Statewide Procurement Division for the four contracts selected for the audit. The University indicated it could not locate the documentation and had revised its policies and procedures to require these checks. An agency may not award a contract to a debarred vendor, according to [Texas Government Code, Section 2155.077](#).

Recommendation/Requirement

The University must check the Debarred Vendor List posted on the [Comptroller's Debarred Vendor List website](#) to establish that the vendor has not been debarred.

The University must enhance procedures to verify the debarred vendor status before awarding a contract to a vendor.



University Response

UT Austin has revised its procedures to verify vendors are not debarred by checking the debarred vendor list on the Comptroller of Public Account's website before issuing a contract. UT has also added a clause to its standard services agreement requiring the vendor to confirm they are not on the Comptroller's debarred vendor list.

Vendor Warrant Hold Status Not Verified

Out of the four contracts selected for audit, the University failed to verify the vendor's warrant hold status on three of them before contract execution. The University indicated that it has revised its policies and procedures to require these checks.

State agencies must check a vendor's warrant hold status if the transaction involves a written contract. See [Texas Government Code, Section 2252.903\(a\)](#).

Recommendation/Requirement

The University must verify vendor warrant hold status before executing a contract with a vendor.

University Response

Prior to entering into agreements, both PMCS and Business Contracts now verify that the selected vendor is not on the Comptroller of Public Account's vendor hold list, and include a copy of the report in the contract file. In the event a vendor is on the vendor hold list, the contract will not be signed until documentation is received that the vendor hold has been removed.

Missing Nondisclosure and Conflict of Interest Statement

Auditors identified one contract where the University did not provide a nondisclosure and conflict of interest statement signed by procurement and contract management personnel before engaging in contract activity. The University indicated it has revised its policies and procedures to require these checks.

To maintain the integrity of the purchasing process, each state agency employee or official involved in procurement or contract management must disclose any potential conflict of interest. See [Texas Government Code, Section 2261.252](#).

Recommendation/Requirement

The University must ensure that its procurement and contract management personnel complete and sign conflict of interest disclosure statements before initiating purchases.



University Response

The University has implemented policies so that the non-disclosure and conflict of interest statement is always contained in the files.

Missing Historically Underutilized Business (HUB) Review

Auditors identified one contract where the University did not provide the required historically underutilized business (HUB) subcontracting plan. According to the University, the HUB subcontracting plan was not included in its checklist. As a result of the audit, the University stated that it has revised its policies and procedures to include the plan.

Agencies considering a procurement with an expected value over \$100,000 must determine whether subcontracting opportunities are probable. See [Texas Government Code, Section 2161.252](#) and the [State of Texas Procurement and Contract Management Guide](#) – HUB Subcontracting Plan Requirements section. The University's solicitation documents must note if subcontracting opportunities are available and if so, require a HUB subcontracting plan (HSP).

Per [34 Texas Administrative Code Section 20.285\(e\)](#), the HSP must be evaluated before contract award and, if accepted, must become a provision of the contract. Review of the HSP ensures each vendor has made or will make a good-faith effort to contribute to state HUB contracting goals. Without the review, auditors could not be sure good faith was established when the procurement was awarded.

Recommendation/Requirement

The University must abide by the procurement procedures in the [State of Texas Procurement and Contract Management Guide](#) – HUB Subcontracting Plan Requirements section to determine whether subcontracting opportunities are probable under the purchase/procurement; if so, that must be clearly stated and the University must require an HSP. The University must enhance its procurement process to ensure adequate documentation is maintained to meet all procurement requirements.

University Response

The University has now implemented policies and procedures where the HUB review is completed and attached to the files.



Purchase Transactions

Auditors developed a sample of 20 purchase transactions, 10 contracted services purchase transactions and five library purchase transactions totaling \$27,885,324.82 to ensure the transactions were supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for these transactions.

Additionally, the audit included a review of two duplicate payment reports which register data related to multiple payments to a vendor for the same goods or services. Audit tests revealed the following exceptions in the purchase transactions.

Duplicate Payments

Auditors ran two reports outside of the sample to identify potential duplicate payments processed by the University during the audit period, identifying 33 duplicate payments for \$24,400.28. The University failed to notice identical invoices and, at separate times, processed both the original and the duplicate invoices for payment.

Recommendation/Requirement

The University must enhance its procedures for identifying potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff must reconcile invoices and purchase orders/contracts to prevent duplicate payments.

The University should seek reimbursement for the excess amounts unless it determines it is not cost-effective to do so. The University must reimburse the state's treasury for the excess amount.

University Response

The four UT Austin departments that processed the 33 duplicate payments were notified via email on August 13, 2018, and provided a list. Three of the four departments have verified five duplicate payments and these payments have already been reimbursed to the University. The University will follow up with the one department about the other 28 duplicate payments to verify if any more refunds or reimbursements were received before reimbursing the state's treasury. The University will enhance an existing soft duplicate payment audit on payment documents in our accounting system by not using beginning and ending service dates as a match and only using invoice number field and payee as a match to trigger the duplicate payment audit in our accounting system. This proposed enhancement may produce more false positive results; however not matching beginning and ending service dates may have caught most of the duplicate payments due to same payee and same invoice number.



Grant Transactions

Auditors developed a sample of four grant transactions to ensure the transactions were valid and supported by appropriate documentation. Audit tests revealed no exceptions for this group of transactions.

Prompt Payment and Payment Scheduling

Auditors reviewed the University's compliance with the prompt payment law and scheduling rules. Audit tests revealed the following exception.

Interest Loss to State's Treasury

Auditors identified 10 transactions (six from the contract group, two from the purchase group and two from the contracted service group) where the University paid too early, resulting in interest loss to the state's treasury totaling \$544.92.

[Texas Government Code, Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office prescribes the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office requires advance scheduling of payments when it is advantageous to the state.

Recommendation/Requirement

To minimize the state's loss of earned interest, the University must schedule all payments over \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#). The University can pay according to the terms on the invoice only if those terms are included in the purchase order and are part of the signed contract.

University Response

The University will continue to educate the departments on how to properly determine due dates through our ongoing training sessions. Unless other provisions warrant, the University strives to schedule all payments over \$5,000 for the latest possible distribution.

Payment Card Transactions

Auditors developed a sample of 20 payment card transactions to ensure the transactions were valid and supported by appropriate documentation. Audit tests revealed no exceptions for this group of transactions.



Violation of State Warrant Hold Statutes

During a review of 20 payment card transactions, auditors identified 19 transactions over \$500 where University employees failed to check the vendors' warrant hold status before making the purchases. The University's policy requires payment cardholders to check warrant hold status of vendors before a purchase. It is the University's responsibility to ensure that it does not use state funds indirectly to pay vendors on warrant hold.

State agencies must verify a vendor's hold status for non-emergency payments made with payment cards over \$500. Per [34 Texas Administrative Code, Section 5.57\(g\)\(6\)](#), a state agency cannot use payment cards for a purchase from a vendor on warrant hold.

Recommendation/Requirement

The University must follow its procedures to check vendor warrant hold status before initiating any purchase over \$500, in accordance with [34 Texas Administrative Code, Section 5.57\(g\)\(6\)](#) and [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

University Response

The Handbook of Business Procedures has been updated to include guidance and instructions on this requirement for all ProCard transactions exceeding \$500.00. The updated Handbook of Business Procedures will be published in Spring 2020. The updated wording will read as follows:

Verification of Vendor Status with the State of Texas

If a cardholder expects that a purchase may exceed \$500.00, then the cardholder is responsible for verifying that the vendor is in good standing with the State of Texas prior to making the purchase.

Missing Receiving Documentation

During the review of 20 payment card transactions, auditors identified six transactions missing documentation to verify receipt of goods purchased. The University indicated it did not consistently maintain receiving documentation for payment card transactions and will implement procedures to ensure the receipt of goods or services is documented and maintained.

Without proper documentation, auditors could not determine whether the information entered into the Uniform Statewide Accounting System (USAS) was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify payments are valid and to ensure a proper audit trail.



As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), state agencies must maintain documentation to prove that each payment resulting from the document is legal, proper and fiscally responsible.

Documentation must be made available to the Comptroller's office in the manner required, and may include purchase orders, requisitions, contracts, invoices and receipts. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

Recommendation/Requirement

The University must create supporting documentation for each payment, and maintain it for audit review. The University should update its procedures for maintaining supporting documentation for all purchases.

University Response

The Handbook of Business Procedures has been updated to define what receipt documentation is and the requirements for reconciliation and imaging. That section of the updated Handbook of Business Procedures to be published in the Spring of 2020 will read as follows:

Receipt and Documentation Submission Requirements

It is the Cardholder's responsibility to submit their payment voucher documentation to the Reconciler assigned to their card. In order for documentation to be considered complete, the Cardholder must always include the following information:

- An itemized receipt. For each item purchased on the ProCard, the cardholder is responsible for obtaining a receipt, invoice or some other form of support documentation from the vendor as proof of purchase and payment. The document should include the following: information pertaining to the items purchased, the date of purchase, vendor information and the total price.*
- A listing of where the item was delivered. This must be a valid University address, and it must be listed on the itemized receipt. During instances where this is unavailable, a packing slip will suffice.*
- [In order to enforce separation of duties, the receipt must have a "Goods Received" stamp, signed by someone other than the Cardholder.]*

When applicable, include the following:

- A completed and approved Official Occasion Expense Form (OOEF)*
- Receipts or correspondence related to credits*
- Recipient information for awards*



- *Recipient information for research participation*
- *Additional correspondence when transactions warrant as such*
- *Information pertaining to Business Contracts*
- *CSU specific requirements*

All receipts must be uploaded to GCMS and submitted within three business days of purchase. If receipts are not submitted in a timely manner to the Reconciler, the Cardholder will be subject to consequences.

Missing Verification of Training Attendance

During the review of 20 payment card transactions, auditors identified one transaction missing verification of training attendance. The University was not able to provide documentation that the employee attended the training.

Without proper documentation, auditors could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Per [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), proper documentation must be maintained to verify the payments are valid and maintain a proper audit trail.

Recommendation/Requirement

Supporting documentation for a purchase must be made available in an audit to justify the validity of the payment. The University must maintain adequate supporting documentation for all expenditures before processing the payment.

University Response

This item needs to be researched further in order to determine the best course of action for campus. A few options being evaluated are as follows:

- *Utilize a feature within UT Learn that allows the end user to track training and upload verifications*
- *Tie verification together with an RTA*
- *Provide guidance to the University regarding the appropriate steps to satisfy this recommendation in our updated Handbook of Business Procedures*

The above options are being evaluated to understand application and implications for end users. Other options are also being sought out to satisfy this recommendation.



Refund of Revenue Transaction

Auditors selected the only refund of revenue transaction that was posted during the audit period to ensure the transaction was supported by appropriate documentation and complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this transaction.

Security

The audit included a security review to identify any of the University's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. There were no terminations or revocations to assess.

Internal Control Structure

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the University placed on its accounting staff's ability to process expenditures. Auditors reviewed the University's security in USAS, Human Resource Information System (HRIS), Texas Identification Number System (TINS) and voucher signature cards in effect July 26, 2018.

Control Weakness Over Expenditure Processing

The University had four employees who could process and release payments in the University's internal system and in USAS without oversight. One of the four employees could also adjust vendor profiles in TINS and approve paper and electronic vouchers in USAS.

Auditors also ran a report to determine whether any of the University's payment documents were processed through USAS during the audit because of the action of only one person; no issues were identified.

Recommendation/Requirement

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the University implement the following measures:



- The University must work with Comptroller's Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of the University's internal system and USAS. The University must ensure that employees with voucher/payment entry/change/delete status in the University's internal system cannot approve/release payments in the internal system or in USAS. A supervisor or another employee must approve the vouchers in the internal system.
- The University must limit the access of users who can enter/change vouchers in USAS to view-only access in TINS (PTINS02). An individual must not be able to create a payment and create or change a vendor profile.

University Response

Part 1:

The University agrees that ideally no one person should create, change and approve payments. However, limited central processing users have functional needs requiring multiple levels of responsibility in the internal system, including the ability to both create and approve vouchers. University procedures require that no one person create and approve payment vouchers.

The University has a risk based expenditure review process in place to mitigate potential exposure. This process selects material expense vouchers with fewer than three distinct approvals for an additional review and approval.

No single user has entry/change/delete and approval/release status in USAS.

Comptroller's office review of payments in USAS as part of this audit showed no payments were processed through the actions of only one person.

Part 2:

The University agrees that no individual should enter payment vouchers in USAS and change vendor profiles related to payment vouchers. Staff members with entry/creation authorization in USAS also correct vendor information related to reimbursements to the University only. Any corrections or changes needed for direct vendor payments are referred to YID staff. YID staff does not have entry access in USAS.

Primarily these authorizations are used to update and correct vendor profiles for employees on payroll reimbursement documents. A single YID error will prevent the entire reimbursement document from processing.

The University will continue to educate staff with TINS update and USAS entry access to only correct vendor profiles for documents resulting in a reimbursement back to the University.



Fixed Assets

Auditors developed a sample of 10 items of state property to determine whether they were in the correct locations with the correct custodians according to their records, whether they were correctly tagged, and whether the purchases were supported by appropriate documentation. Audit tests revealed no exceptions for this group of transactions.

Targeted Analysis

The audit included a review of various special reports run for the University outside the sample. One of the special reports allowed auditors to review the University's procedure to comply with the federal mandate to properly identify and handle payments involving the international movement of funds. Auditors reviewed 10 direct deposit authorizations. Audit tests revealed the following exception.

Incomplete Direct Deposit Authorization

In a report generated outside of the sample, auditors identified seven incomplete direct deposit authorizations. Without completed authorizations, the University was unable to indicate whether state funds were forwarded to a financial institution outside the United States.

The [Office of Foreign Assets Control](#) requires that all direct deposit payments transmitted outside the United States be identified and monitored. To avoid potential federal penalties, each state agency must:

- Show due diligence in the processing of all direct deposit payments.
- When possible, ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the United States.

International automated clearing house transactions (IATs) are payments destined for a financial institution outside of the United States. The Comptroller's office does not participate in IATs. If a payee informs an agency that a payment is destined for a financial institution outside of the United States, then the agency may not set up that payee for direct deposit.

Without current and properly completed authorizations, the University is unable to follow the direct deposit requirements.

According to the University, it implemented the questionnaire as a required field on the "My Bank Info" site where students and staff update their automated clearing house (ACH) instructions. However, the University did not activate all ACH instructions and require payees to mark the IAT indicator before receiving additional payments.



Recommendation/Requirement

The University must ensure all payees requesting direct deposit payments submit a completed direct deposit authorization with the international payment verification question answered. A direct deposit authorization transaction should not be processed if the International Payment Verification section is left blank.

University Response

University systems are currently in compliance for all new and/or updated ACH instructions.

New and/or updated ACH payment instructions require an IAT indication. Over time, the population receiving ACH payments should be in compliance.

The payees identified set up their payment instructions prior to the implementation of the new requirements on university systems.

The University will investigate ways to bring legacy payment instructions without an IAT indicator into compliance without disrupting vendor and employee payments.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS) or
 - Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the University of Texas at Austin (University) payroll, travel purchase and procurement transactions that processed through USAS and HRIS from March 1, 2017, through Feb. 29, 2018, to determine compliance with applicable state laws.

The University receives appendices with the full report including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.